

MEMORANDUM



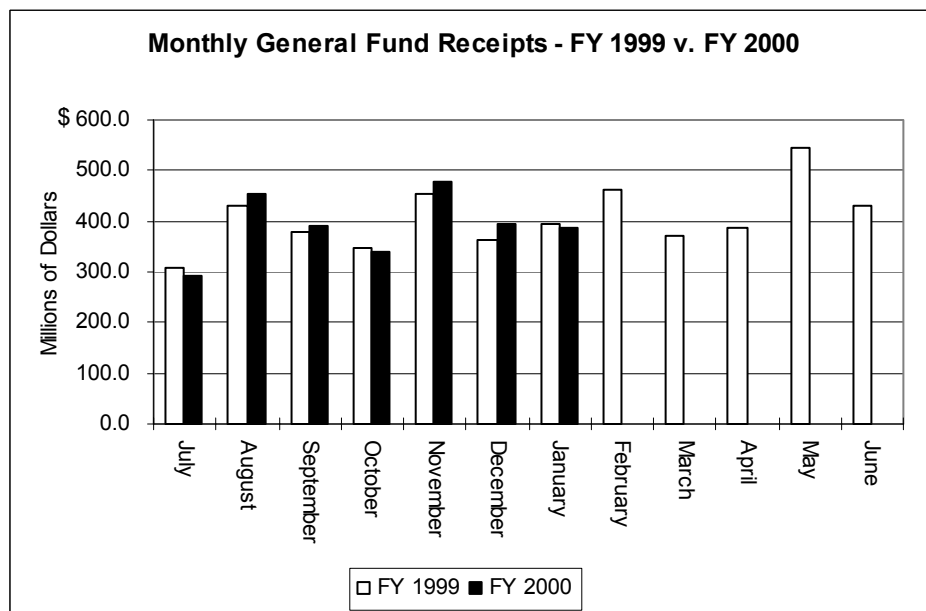
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: February 1, 2000

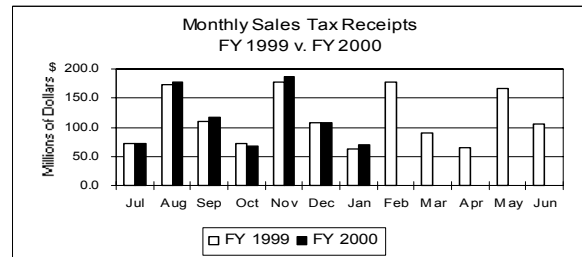
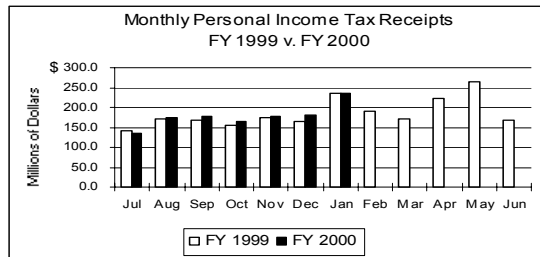
General Fund Receipts Through January 31, 1999

The attached spreadsheet represents total FY 2000 General Fund receipts, with comparable figures for actual FY 1999. These can be compared to the latest FY 2000 estimate (\$5.060 billion) set by the Revenue Estimating Conference (REC) on December 9, 1999. The estimate represents an increase of \$180.4 million (3.7%) compared to FY 1999.



FY 2000 Compared to FY 1999

Year-to-date FY 2000 revenue growth increased by \$55.9 million (2.1%) compared to FY 1999. This is below the REC estimate of 3.7% for FY 2000. Total January 2000 revenues decreased \$10.9 million (2.8%) compared to January 1999.



Gross personal income tax revenues received in January were \$1.7 million (0.7%) less than January 1999. Year-to-date growth in personal income tax is \$28.2 million (2.3%) more than FY 1999.

Withholding receipts increased \$6.2 million (4.5%) in January compared to January 1999. Year-to-date growth in personal income tax withholding payments is \$50.1 million (5.2%) more than FY 1999.

Estimate payments decreased \$8.5 million (9.0%) in January compared to January 1999. Year-to-date the decrease in personal income tax estimate payments is \$23.7 million (10.1%) less than FY 1999. July and October 1998 estimate payments were very strong, but moderated through the remaining months of FY 1999. Year-to-date experience indicates that FY 2000 estimate payments will more closely follow the lower level of the second half of FY 1999.

The REC FY 2000 estimate of \$2.332 billion represents a projected increase of 4.4% for all components of personal income tax compared to actual FY 1999.

Sales tax receipts in January were \$8.2 million (13.2%) more than January 1999. Year-to-date growth in FY 2000 sales tax stands at \$24.5 million (3.2%) compared to FY 1999. The substantial increase in January sales tax receipts reflects both a strong Holiday shopping season and processing of some quarterly returns that last year did not occur until February.

The REC estimate for FY 2000 sales tax receipts is \$1.436 billion, an increase of 4.3% compared to actual FY 1999.

Corporate income tax receipts in January were \$19.1 million (46.8%) less than January 1999. Estimate payments were the primary cause of the decrease for January. Estimate payments received in January were \$16.5 million (46.6%) less than January 1999. The decline in overall FY 2000 corporate income tax payments is \$11.4 million (6.6%) compared to the FY 1999 level.

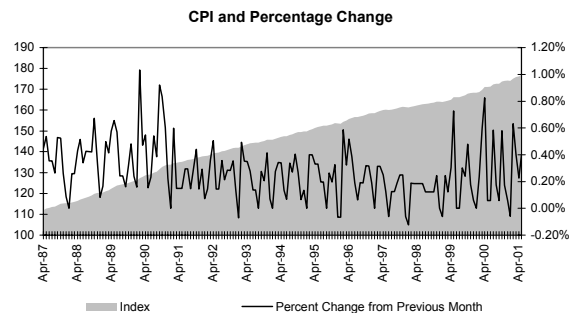
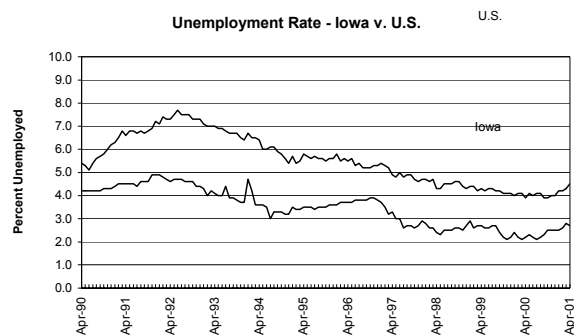
The REC projected FY 1999 corporate income tax receipts would total \$316.1 million, a decrease of 1.8% compared to actual FY 1999.

Racing and gaming receipts to the General Fund in November reached their statutory cap of \$60.0 million during November. All racing and gaming receipts in excess of \$60.0 million are deposited in the Rebuild Iowa Infrastructure Fund. As a result, activity in these accounts has little direct impact on the General Fund. The REC estimated that \$112.2 million from this source would be deposited to the Infrastructure Account in FY 2000.

Status of the Economy

The seasonally adjusted percent unemployed for the State in December increased from November's rate of 2.1% to 2.2%. The unemployment rate a year ago was 2.9%. Iowa's total December employment registered 1,554,600, up from November's level of 1,540,000. The number of unemployed persons in Iowa stood at 34,600 in December, which is up from November's level of 33,700. The U.S. unemployment rate remained unchanged in December at 4.1%.

Consumer prices in December remained at the same level as in November. The Consumer Price Index (CPI-U) through December 1999 was 168.3 (1983=100), which is 2.7% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through December 1999.



Information related to State General Fund receipts is available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). If you have questions regarding this service, you may contact Glen Dickinson (515-281-4616).

GENERAL FUND RECEIPTS - FY 2000 vs. FY 1999						ESTIMATED GENERAL FUND RECEIPTS in millions of dollars			
July 1 through January 31, in millions of dollars						FY 99 Actual Compared to FY 00 REC Estimate			
	FY 1999		FY 2000		Year to Date	January	Actual	Estimate	% CHANGE
	\$		\$		% CHANGE	% CHANGE	FY 1999	FY 2000	% CHANGE
Personal Income Tax	1,214.3		1,242.5		2.3%	-0.7%	2,233.7	2,331.7	4.4%
Sales Tax	775.3		799.8		3.2%	13.2%	1,377.5	1,436.4	4.3%
Use Tax	146.7		143.9		-1.9%	-5.2%	242.7	249.0	2.6%
Corporate Income Tax	173.1		161.7		-6.6%	-46.8%	321.8	316.1	-1.8%
Inheritance Tax	57.2		78.9		37.9%	-17.2%	90.1	118.3	31.3%
Insurance Premium Tax	0.5		0.1		-80.0%	-83.4%	114.3	119.0	4.1%
Cigarette Tax	54.1		53.6		-0.9%	22.5%	92.3	89.0	-3.6%
Tobacco Tax	4.0		4.0		0.0%	10.8%	6.5	6.8	4.6%
Beer Tax	8.1		8.3		2.5%	2.4%	13.1	13.1	0.0%
Franchise Tax	18.5		17.5		-5.4%	-33.7%	33.8	32.9	-2.7%
Miscellaneous Tax	1.7		1.2		-29.4%	-70.3%	1.1	1.1	0.0%
Total Special Taxes	\$ 2,453.4		\$ 2,511.5		2.4%	-3.5%	\$ 4,526.9	\$ 4,713.4	4.1%
Institutional Payments	28.5		26.3		-7.7%	-334.6%	49.7	46.6	-6.2%
Liquor Transfers:									
Profits	16.5		20.0		21.2%	75.0%	32.3	34.5	6.8%
7% Gross Revenue	5.3		5.3		0.0%	0.0%	9.0	9.0	0.0%
Interest	18.9		15.5		-18.0%	-48.5%	34.1	25.5	-25.2%
Fees	34.3		36.7		7.0%	4.6%	58.3	65.0	11.5%
Judicial Revenue	21.7		24.3		12.0%	3.0%	48.3	53.3	10.4%
Miscellaneous Receipts	42.3		37.4		-11.6%	2.7%	61.3	53.0	-13.5%
Racing and Gaming Receipt	60.0		60.0		0.0%	n/ m	60.0	60.0	0.0%
TOTAL RECEIPTS	2,681.0		2,736.9		2.1%	-2.8%	\$ 4,879.9	\$ 5,060.3	3.7%